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CANADIANA

SEP 23 1997

1989

ANNUAL REPORT

MESSAGE FROM THE MINISTER



All Albertans win as a result of the many unique benefits made possible by the operation of lotteries in Alberta. The innovative use of lottery revenues is one of the ways the Government of Alberta advances its commitment to further enriching the quality of family and community life afforded to all Albertans, today and for the future.

Revenues generated by lotteries are used to benefit Albertans from all walks of life through a wide variety of recreational, cultural, sport, and community initiatives in every corner of the province.

However, all the good things that are made possible from the Lottery Fund depend on lottery ticket sales. This is achieved by the marketing and sales efforts of Alberta Lotteries through the retailer network. For this reason, I commend the retailers for the key part they play, and for their dedication to customer service and good customer relations. I am sure fiscal 1990 will be the beginning of an even brighter new decade of success for lotteries in Alberta, to the continuing benefit of all Albertans.

A handwritten signature in dark ink, reading "Ken Kowalski" followed by a horizontal line.

Hon. Ken Kowalski
MINISTER

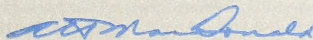
Laying the groundwork for the next decade, by developing an aggressive approach to long range planning, and an intensive review of our retail network count among the major highlights of Fiscal 1989. In this, a "corner-stone" year, we are pleased to report a sales income in excess of \$288 million, representing a per capita sales figure of \$164.65.

Each year is not without its challenges, and Fiscal 1989 was no exception. Our retailers were able to meet the challenges of introducing and marketing an ever expanding variety of lottery products. Aided by upgraded training and services provided by Alberta Lotteries, our retailers achieved very high levels of customer service, with excellent sales performance.

Our success in the past year can also be attributed to the continuing support and commitment of the Alberta Provincial Government, the Board and the staff of the Western Canada Lottery Corporation. We continued to enjoy excellent working relationships with our associates in Saskatchewan and Manitoba, a situation which helped all of us improve the quality of lottery operations across Western Canada.

The Board of Directors of Alberta Lotteries must be singled out for their contribution. Their combined vision and response, in developing a long range forecast, guide Alberta Lotteries into the next decade.

At this time, I also welcome the opportunity to thank our employees for their teamwork and shared dedication. The success of Alberta Lotteries and the significant contributions made to the lives of Albertans by the operation of lotteries, has resulted from all of us working together.



Howard MacDonald

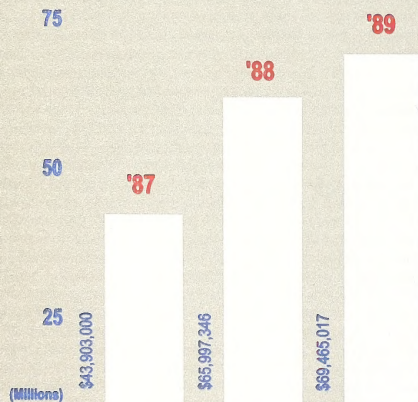


SALES HIGHLIGHTS

Total On-line Sales In:



Total Instant Sales in:



Fiscal 1989 saw the focus of Alberta Lotteries directed at its products, particularly the on-line games available to Albertans at 1,381 Lottery Ticket Centres throughout the province; and the retailer network and their improved ability to service the needs of the consumer.

On-Line Games

On-line sales accounted for \$176,687,331 in fiscal 1989 representing 61% of total lottery sales.

Lotto 6/49 continued to produce leading sales figures, and generated sales of \$149,434,846, or 51.8% of total sales.

Consumers saw the introduction of the first **Lotto 6/49** Bonus Draw. During the months of March and October Jackpots were brought up to the \$10 million mark, with a total of \$50 million in Bonus Jackpot prizes up for grabs.

Lotto 6/36, last year's rising star, continued to service its loyal western customer base and posted sales figures of \$13,129,823.

The Plus, exclusive to Western Canada, was introduced to the marketplace with a major multimedia campaign. **The Plus**, an add-on feature for the existing lotto games, supports retailers by maximizing profits and offers the ticket buying public their greatest odds of winning a prize. Sales of **The Plus** totalled \$14,122,662.

Instant Products - Instant Success

Our retailers continued to offer the consumer an excellent entertainment value with a variety of Instant Win games. There were more games, more prizes, and more winners; which equated to increased commissions on the retail level.

Existing games such as **Lost Pyramids** and **Go For The Gold** continued to sell into this fiscal period, along with new games such as **12 Days Of Christmas**, **Cyborg Factor**, **Super Skid**, and the all time favourite **Zodiac**.

A new innovation in the \$1 Instant Win games saw the introduction of the \$1,000 top prize. This was successfully launched with **Banco**, and also implemented in **Autumn Gold** and **Quick Silver**.

To fill a niche in our ever changing marketplace, a variety of \$2 Instant Win games were introduced. **First & Goal** provided football fun for the football fan, **Treasure Island** featured the lure of a tropical vacation, and **Christmas Cards** provided customers with an opportunity to give the best gift ever. **Double Dare** was sequelled twice during this fiscal year to keep up with the demand.

Our retailer network rallied behind these new initiatives and produced sales figures of \$69,465,017, and generated \$3,450,000 worth of retail commissions.

Special Event Tickets

The lottery business marked the end of an era with the **Super Loto** finale. April 24, 1989 was the last draw in the games 9 year reign.

To fill the gap in the "big game" market

an exciting \$20 Special Event ticket was introduced. These tickets offered the consumer instant wins, television appearances, and most of all; mega prizes.

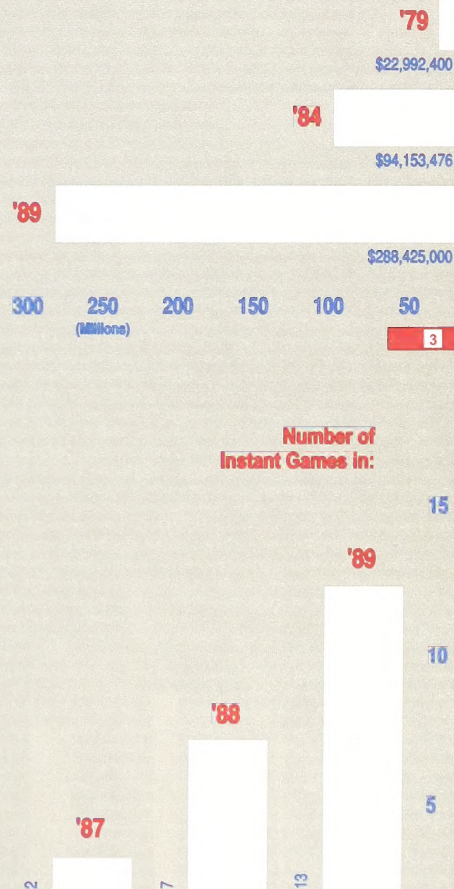
During fiscal 1989, there were two such "big game" tickets issued. **Special '88** was drawn July 1, 1988 in Montreal, and on January 8, 1989, **Celebration '89** held its draw in Vancouver. These two games accounted for \$7,976,383 in sales during the fiscal year.

Traditional Tickets

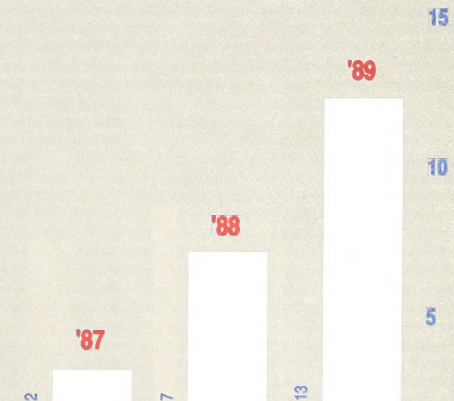
In January 1986 **The Western Express** received a refitting, keeping it tuned to the changing lottery ticket buyers needs. This change increased the play value, and the public responded in this fiscal year by purchasing \$20,269,806 worth of the \$1 tickets.

The Provincial, a national tradition with a 13 year history, continued to maintain a strong presence due to the exciting bonus draws held throughout the year, generating sales of \$13,234,613.

Total Sales of All Lottery Products In:



Number of Instant Games In:

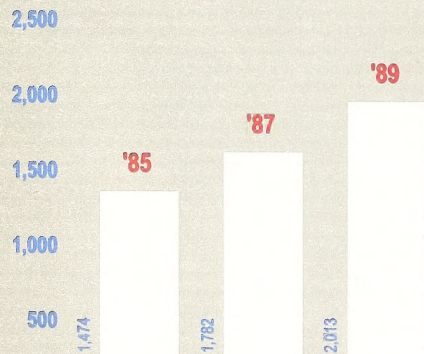


RETAILERS

Number of
On-line Retailers in:



Total Number of Retailers in:



This year we must single out our retailers as being the driving force behind our successes. It was a year of continuous challenges, and retailers responded by turning it into a year of opportunity.

During fiscal 1989, our computerized on-line retail network operating across Alberta reached a total of 1,381 outlets. Ongoing training programs were administered to each on-line retailer so that they would be able to service a public which was looking for more diversification, more prizes, and new concepts in lottery games. A new distribution initiative focusing on improved communication to the front line retailer was launched and resulted in increased retailer service and a higher level of profitability in the promotion of Alberta Lotteries' products.

This year marked an important step in the achievement of one of Alberta Lotteries' goals; the development of our retailers as lottery professionals, understanding and servicing the

needs of our consumers. We aimed at rallying with our retailers to better focus on customer service, now and for the 1990's. As a result, our retailers kept on top of market trends, met consumer demands, provided customer service support, and helped to generate sales in excess of \$288 million for fiscal 1989. The year also saw a higher level of encashment taking place at the retail level due to the enhanced play value of new lottery products and the increased number of winners.

The most significant return to the retailers came in the form of the retail commissions. In fiscal 1989, \$17,500,306 in retail commissions was earned, contributing to the overall base of Alberta commerce.

We salute our retailers because this year, as in previous years, their diligence, drive and degree of commitment is central to the high level of success enjoyed by Alberta Lotteries.

The greatest satisfaction for Alberta's lottery ticket retailers is to "sell a winner". Every day, retailers from across the province are told how lottery wins have made someone's life a little easier. Paying off the mortgage, taking an exotic holiday, buying a new car, or saving for their children's education are just some of the things Albertans do with their larger lottery wins. Our retailers share in the excitement. In fiscal 1989 this excitement amounted to over \$134,723,365, representing the total amount available to be won in Alberta.

Of course, the most exciting story centres around winning the "big one". This year that story was centred around the Thatchers, a young couple from St. Albert, Alberta who purchased a **Lotto 6/49** ticket at the Edmonton International Airport and came away with \$10,000,000 worth of dreams when they won the Jackpot. It turned out to be a great thrill for everyone.

It doesn't have to be the big Jackpot to be an exciting win. Just ask Miles Leslie, who with his **First & Goal** ticket won a trip for two to the Grey Cup, plus a new car, and was ... oh so close to the final \$50,000 win during the game. Now there is a football fan who will never forget the 1988 Grey Cup, and neither will the folks from Capilano Lauto Ticket Sales in Edmonton who sold him that winning ticket.

Red Rooster Store #124 was the talk of the town when Oscar Munar of Calgary won his \$100,000. You see, Oscar won the first big prize in Alberta from the exciting new **Plus** game, something that the retailers were all anticipating.

Be it a big or a small prize, every day there is an Albertan winning and both the retailer and the consumer share in that "winning feeling".

SELLING A WINNER

Total Number of
Products in:

'83

3

'85

7

'89

20

20

15

10

5

5

Approximate Total Dollars
Available to be Won in:

(Millions)

'89

150

'87

125

'88

100

'86

75

\$75,984,825

\$125,364,951

\$127,291,200

\$134,723,365

50

25

OUR BACKGROUND

The Western Canada Lottery Corporation

The Western Canada Lottery Foundation was incorporated under the Canada Corporations Act in 1974 by the Provinces of British Columbia, Alberta, Saskatchewan and Manitoba. On March 31, 1985, British Columbia withdrew from membership in the Western Canada Lottery Foundation. The provincial governments of Alberta, Saskatchewan and Manitoba and associate members, the Yukon and Northwest Territories, continued to operate together in the sale of lottery tickets.

During the 1986 fiscal year, the "Foundation" changed its name to "Corporation" to reflect more accurately the nature of its operations.

The Corporation's head office is in Winnipeg, Manitoba and serves as a central

organization for the creation of lottery games, the production of lottery tickets, and other centralized functions such as advertising and publishing winning numbers.

Alberta Lotteries (Western Canada Lottery Alberta Division)

Alberta Lotteries, a partnership of Edmonton Northlands and the Calgary Exhibition and Stampede Limited, has operated since June, 1974, under a licence granted by the Provincial Minister responsible for the Interprovincial Lottery Act. The partnership is licenced as agent of the Government of Alberta to act as the Provincial Marketing Office to assist the Corporation as may be authorized by the Minister for Alberta.

The structure of the Board of Directors for Alberta Lotteries changed in September, 1987. The new, ten person Board of Directors is made up of three members from Edmonton Northlands, three members from the Calgary Exhibition and Stampede Limited, three members from the general public, and a Vice Chairman's position appointed by the Government of Alberta.

The Board of Alberta Lotteries administers all lottery functions related to the sale and distribution of tickets. Alberta Lotteries has headquarters in Edmonton and sales offices in Edmonton and Calgary.

AUDITOR'S REPORT

To the Partners of the
Western Canada Lottery Alberta Division:

W

e have examined the balance sheet of Western Canada Lottery Alberta Division as at March 31, 1989 and the statement of changes in financial position for the year then ended. We have also examined the statement of lottery operations in Alberta as derived from the financial statements of the Western Canada Lottery Corporation for the year ended March 31, 1989. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Western Canada Lottery Alberta Division as at March 31, 1989, the changes in its financial position and the results of lottery operations in Alberta for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Ernst & Young

Chartered Accountants

Edmonton, Canada

May 26, 1989

Balance Sheet

March 31, 1989

(with comparative figures for the year
ended March 31, 1988)

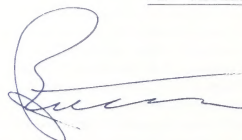
Assets	1989	1988
Current assets:		
Cash	\$ 537,846	\$ 892,603
Term deposits (Note 4)	162,000	79,208
Accounts receivable	677,858	757,932
Due from Western Canada Lottery Corporation	41,903	49,579
Prepaid expenses and deposits	23,844	410,910
Inventory of tickets at distributors	791,293	648,532
	<u>2,234,744</u>	<u>2,838,764</u>
Non-current assets:		
Fixed assets at cost less accumulated depreciation (Note 5)	<u>520,443</u>	<u>175,931</u>
Total assets	<u>\$ 2,755,187</u>	<u>\$ 3,014,695</u>
Liabilities		
Current liabilities:		
Accounts payable and accruals	\$ 439,561	\$ 577,988
Due to Western Canada Lottery Corporation –		
Inventory of tickets	791,293	648,532
Tickets sold to retailers	118,631	171,585
Other payables	104,137	8,531
	<u>1,453,622</u>	<u>1,406,636</u>
Obligation under capital lease	35,105	42,952
Excess of advances from Western Canada Lottery Corporation over net operating expenses (Note 6)	<u>1,266,460</u>	<u>1,565,107</u>
Total liabilities	<u>\$ 2,755,187</u>	<u>\$ 3,014,695</u>

(See accompanying notes)

Approved by the Board:



Director



Director

Statement of Changes in Financial Position

For the year ended March 31, 1989

(with comparative figures for 1988)

	1989	1988
Cash provided by (used in) operating activities:		
Advances from Western Canada Lottery Corporation	\$ 6,395,000	\$ 3,995,000
Net operating expenses (Schedule A)	(6,693,647)	(3,859,874)
Charges (credits) to operations not involving cash:		
Depreciation	104,078	83,291
Gain on sale of fixed assets	(26,302)	
Change in non-cash working capital balances:		
Accounts receivable	80,074	(313,377)
Due from Western Canada Lottery Corporation	7,676	12,956
Prepaid expenses and deposits	387,066	(387,046)
Accounts payable	(138,427)	437,011
Due to Western Canada Lottery Corporation	42,652	70,038
	<u>158,170</u>	<u>37,999</u>
Cash provided by (used in) investment activities:		
Fixed asset additions	(448,590)	(70,320)
Proceeds on sale of fixed assets	26,302	1,915
	<u>(422,288)</u>	<u>(68,405)</u>
Cash provided by (used in) financing activities:		
Capital lease financing	(7,847)	8,324
Net decrease in cash and term deposits during the year	(271,965)	(22,082)
Cash and term deposits, beginning of year	971,811	993,893
Cash and term deposits, end of year	<u>\$ 699,846</u>	<u>\$ 971,811</u>

(See accompanying notes)

Statement of

Lottery Operations in Alberta (Note 2)

For the year ended March 31, 1989

(with comparative figures for 1988)

	1989	1988
Revenue:		
Lotto 6/49 ticket sales	\$ 149,434,846	\$ 138,087,468
Instant ticket sales	69,465,017	65,997,346
Western Express ticket sales	20,269,806	27,211,891
The Plus ticket sales	14,122,662	
Lotto 6/36 ticket sales	13,129,823	20,398,201
Provincial ticket sales	13,234,613	13,476,780
Super Loto/special event ticket sales	8,768,233	11,227,281
Other income	2,193,114	1,707,058
	<u>290,618,114</u>	<u>278,106,025</u>
Direct expenses:		
Share of the cost of prizes, tickets and administration	161,600,091	151,844,404
Distribution expenses	17,500,306	16,898,013
Payment to Federal government	4,104,785	7,415,935
	<u>183,205,182</u>	<u>176,158,352</u>
Income before net operating expenses of Western Canada Lottery Alberta Division	107,412,932	101,947,673
Net operating expenses (Schedule A)	<u>6,693,647</u>	<u>3,859,874</u>
Net income from lottery operations in Alberta available for distribution pursuant to the Interprovincial Lottery Licence	\$ 100,719,285	\$ 98,087,799
Net income paid to the partners	<u>9,750,000</u>	<u>9,750,000</u>
Remaining net income available for distribution	<u>\$ 90,969,285</u>	<u>\$ 88,337,799</u>

(See accompanying notes)

Schedule A
Net Operating Expenses
For the year ended March 31, 1989

(with comparative figures for 1988)

	1989	1988
Advertising and corporate community relations	\$ 3,082,230	\$ 1,274,136
Salaries and benefits	2,366,389	1,680,516
Travel	528,524	432,566
Maintenance utilities and rent	244,595	194,241
Retailer relations	150,307	99,186
Postage and office supplies	141,635	67,478
Professional fees	141,271	97,871
Depreciation	104,078	83,291
Ticket loss provision	72,000	45,000
Telephone and fax	68,042	54,555
Directors' meetings and expenses	51,836	52,000
Miscellaneous	38,602	28,129
Courier delivery program	31,407	
Redemption expenses	29,856	11,226
Special retailers	28,803	49,642
Bad debt expense	21,572	2,128
Insurance and bonding	14,960	8,510
Finance charges	4,630	7,579
	<u>7,120,737</u>	<u>4,188,054</u>
Less:		
Retailer licencing fees net of related expenses of \$ 43,560 (1988 - \$ 67,639)	(347,351)	(294,562)
Interest income	(53,437)	(33,618)
Gain on sale of fixed assets	(26,302)	
Net operating expenses	<u>\$ 6,693,647</u>	<u>\$ 3,859,874</u>
Allocation of net operating expenses:		
Provincial Marketing Organization	\$ 5,912,936	\$ 3,837,290
Program and Services Office	780,711	22,584
	<u>\$ 6,693,647</u>	<u>\$ 3,859,874</u>

(See accompanying notes)

Notes to the Financial Statement

March 31, 1989

1. Nature of the Partnership

The Alberta Division is a partnership of Edmonton Northlands and the Calgary Exhibition and Stampede Ltd., and is licensed to act as the Provincial Marketing Organization in Alberta under the authority of the Lottery Licence, as issued by the Minister of the Province of Alberta responsible for the Interprovincial Lottery Act.

The Lottery Licence acts as agent of the Government of Alberta which is a member of the Western Canada Lottery Corporation. The Corporation provides, without financial gain, in Manitoba, Saskatchewan and Alberta, services concerning the conduct and management of lottery schemes.

The Lottery Licence requires the Corporation to conduct, manage and operate in Alberta as the agent of the Government of Alberta such lottery schemes as designated by the Minister. The Corporation distributes the net proceeds arising from the sales of authorized lottery schemes in Alberta in the manner prescribed in the Licence.

The Alberta Division has additionally agreed to provide facilities, personnel and resources to the Minister responsible for Lotteries to fulfill requirements for administering the Interprovincial Lottery Act. These functions are administered by the Program and Services Office.

2. Statement of Lottery Operations in Alberta

The statement of lottery operations in Alberta is derived from the financial statements of the Western Canada Lottery Corporation. It reflects total lottery ticket sales in Alberta and the direct expenses related thereto such as the cost of prizes, tickets, administration and distribution. Net operating expenses represent the costs incurred by the Alberta Division in its capacity as Provincial Marketing Organization together with other costs relating to the conduct of its business, less interest income, retailer licencing fees and other income.

3. Significant accounting policies

a) Fixed assets

Fixed assets are recorded at cost and are depreciated at rates designed to write off the cost of the asset over its estimated useful life. The principal rates and methods used are:

Furniture, office equipment and leasehold improvements — 20% Declining balance
Community service vehicle — 30% Declining balance
Computer software — 3 years straight line

In the year of acquisition, depreciation charges commence from the month of purchase.

b) Leases

Leases are classified as either capital or operating. Those leases which transfer substantially all of the benefits and risks of ownership of property to the organization are accounted for as capital leases. The capitalized lease obligation reflects the present value of the future rental payments, discounted at the appropriate interest rate. The amount capitalized as the cost of the asset is depreciated on a straight-line basis. Rental payments under operating leases are expensed as incurred.

c) These financial statements do not include any assets, liabilities, revenues and expenses of the partners.

4. Term deposits

Term deposits include an amount of \$45,000 representing deposits received from retailers. This amount is available to the Alberta Division should the retailer default on ticket payments.

5. Fixed assets

Fixed assets are comprised as follows:

	1989		1988	
	Cost	Accumulated depreciation	Net book value	Net book value
Computer software	\$ 106,142	\$ 36,928	\$ 69,214	
Community service vehicle	22,155	10,524	11,631	\$ 16,616
Furniture and office equipment	519,387	121,774	397,613	157,697
Leasehold improvements	48,241	6,256	41,985	1,618
	<u>\$ 695,925</u>	<u>\$ 175,482</u>	<u>\$ 520,443</u>	<u>\$ 175,931</u>

6. Excess of advances from Western Canada Lottery Corporation over net operating expenses

This includes advances from Western Canada Lottery Corporation in excess of operating expenses, less interest income, retailer fees and other income.

	1989	1988
Balance beginning of year	\$ 1,565,107	\$ 1,429,981
Advance from Western Canada Lottery Corporation	6,395,000	3,995,000
Net operating expenses	(6,693,647)	(3,859,874)
Balance, end of year	<u>\$ 1,266,460</u>	<u>\$ 1,565,107</u>

7. Lease commitments

The Alberta Division is committed to total minimum lease payments of approximately \$902,000 under operating leases over the next five years as follows: 1990 - \$294,000; 1991 - \$302,000; 1992 - \$219,000; 1993 - \$72,000; 1994 - \$15,000.

8. Comparative figures

Certain 1988 comparative figures have been reclassified to conform with presentation adopted in 1989.

BOARD OF DIRECTORS

Chairman

Howard MacDonald
Calgary Exhibition
and Stampede
Limited

Vice-Chairman

Michael Savage
Government of Alberta

Secretary-Treasurer

Jack Berthelsen
Calgary Exhibition
and Stampede
Limited

Directors

Graham O'Conner
Calgary Exhibition
and Stampede
Limited

R.C.P. Westbury

Don Jackson

George Hughes
Edmonton
Northlands

John McCarthy

Robert Prestage

Pat Healy
Public

General Manager

Alberta Lotteries
Jack Rutherford

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